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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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| OMB APPROVAL | |
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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/2007 AND ENDING 12/31/2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BIDS TRADING L.P.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

111 Broadway, Suite 1603

(No. and Street)

New York

NY

10006

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Evan M. Lorch

212-618-2074

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

300 Madison Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

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**THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

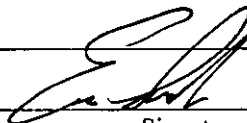
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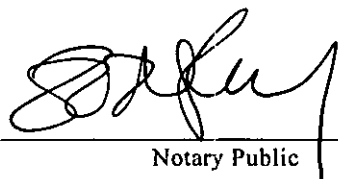
OATH OR AFFIRMATION

I, Evan M. Lorch, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BIDS Trading L.P., as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Senior Managing Director

Title


Notary Public

ZOE NORINSKY
NOTARY PUBLIC-STATE OF NEW YORK
No. 01NO6172830

Qualified in New York County

My Commission Expires August 20, 2011

This report ** contains (check all applicable boxes).

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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BIDS Trading L.P.
Statement of Financial Condition
December 31, 2007

BIDS Trading L.P.
Index
December 31, 2007

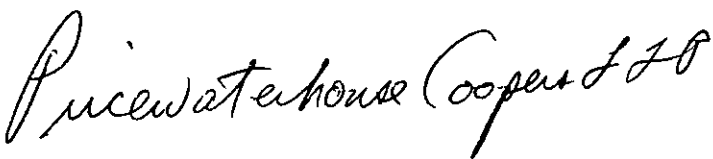
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PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York, NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

Report of Independent Auditors

To the Partners of
BIDS Trading L.P.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of BIDS Trading L.P. (collectively the "Company") at December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



February 26, 2008

BIDS Trading L.P.
Statement of Financial Condition
December 31, 2007

Assets

| | |
|-------------------------------------|---------------------|
| Cash | \$ 4,646,446 |
| Receivable from brokers and dealers | 1,383,483 |
| Other assets | <u>16,760</u> |
| Total assets | <u>\$ 6,046,689</u> |

Liabilities and Partners' Capital

| | |
|-------------------|------------------|
| Accounts payable | \$ 485,137 |
| Due to parent | <u>1,556,349</u> |
| Total liabilities | <u>2,041,486</u> |

Commitments and contingencies (Note 6)

Partners' capital

| | |
|---|---------------------|
| General partner | 2 |
| Limited partner | <u>4,005,201</u> |
| Total partners' capital | <u>4,005,203</u> |
| Total liabilities and partners' capital | <u>\$ 6,046,689</u> |

The accompanying notes are an integral part of this financial statement.

BIDS Trading L.P.
Notes to Statement of Financial Condition
December 31, 2007

1. Organization and Nature of Business

BIDS Trading L.P. (the "Company") was formed as a Delaware limited partnership on June 14, 2006. The Company was approved on December 15, 2006 as an agency broker-dealer with the Securities and Exchange Commission ("SEC"). The Company became a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") on January 4, 2007 and started its trading activities on March 23, 2007. Prior to these approvals, the Company was engaged in activities permitted of a Broker/Dealer with a pending application.

The Company is a wholly owned subsidiary of BIDS Holdings L.P. (the "Parent"). The Parent is owned by 12 Broker/Dealers or their affiliates, who also are broker/dealers who execute the trades on which the Company earns its revenue. The Parent has developed a proprietary alternative trading system (the "ATS") which is used by the Company to facilitate the execution of equity securities trades. The ATS facilitates trading between buy-side and sell-side traders seeking to complete large block orders and generates brokerage revenue for the Company for facilitating such transactions.

2. Significant Accounting Policies

Use of Estimates

The preparation of this financial statement, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of financial condition. Actual results could differ from those estimates.

Income Taxes

As a partnership, the Company itself is not subject to U.S. Federal income taxes. In general, each partner is individually liable for income taxes, if any, on its share of the Company's net taxable income. The Company is subject to the New York City Unincorporated Business Tax.

Income taxes are provided under the provisions of tatement of Financial Accounting Standard No. 109, "Accounting for Income Taxes." Any net loss carryover will result in a deferred tax asset, which will be available for offset against future profits, if and when they arise. Valuation allowances are established for deferred tax assets when it is more likely than not they will not be realized.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect SFAS 157 to have an impact on the statement of financial condition.

3. Value of Financial Instruments

The fair value of the Company's financial instruments, including receivables from brokers and dealers and payables, approximates the carrying value due to their short-term nature.

BIDS Trading L.P.
Notes to Statement of Financial Condition (Continued)
December 31, 2007

4. Receivable from Brokers and Dealers

Receivable from brokers and dealers represents amounts on deposit with the Company's clearing broker of \$100,000 and brokerage transaction fees receivable of \$1,283,483. In accordance with the clearing agreement, the clearing broker has the right to charge the Company for certain losses that result from the Company or a counterparty's failure to fulfill certain contractual obligations.

5. Employee Benefit Plan

The Company's employees participate in a 401(k) profit sharing plan (the "Plan") sponsored by the Parent, which covers substantially all of the employees of the Company. The Company contributes 50% of the employees' contributions up to an annual amount of \$7,750 per employee. The Company may discontinue the contributions and paying for the costs of administering the Plan, although it has no intention of doing so at present.

6. Commitments and Contingencies

FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others" which specifies the disclosures to be made about obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation. In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects risk of loss to be remote.

The Company is subject to credit risk should the clearing broker be unable to pay the amount receivable from broker as reflected on the statement of financial condition. However, the Company does not anticipate non-performance by this counterparty.

The Company maintains its cash in a financial institution, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on its cash.

7. Related Party Transactions

The Company has entered into a services and expense agreement (the "Agreement") dated December 15, 2006 with its Parent. In connection with the Agreement, the Company may reimburse its Parent for certain expenses, which include the monthly fee, paid by the Parent on behalf of the Company. The Agreement also allows the Parent to waive reimbursement of these expenses and recognize them as an additional equity contribution by the Parent to the Company.

Expenses waived have been recognized as equity contributions by the Parent to the Company. In accordance with the Agreement, such waived reimbursement shall no longer be subject to the Agreement and the Parent shall have no further rights with respect to such payment or reimbursements except as a contributor of equity capital to the Company. The waiver shall continue until the Company, in its sole discretion, determines that such waiver is no longer value.

The Company had the following balances with its Broker-Dealer Owners/Clients and their affiliates as of December 31, 2007:

BIDS Trading L.P.
Notes to Statement of Financial Condition (Continued)
December 31, 2007

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 4,646,446 |
| Accounts receivable | 1,335,868 |
| Accounts payable | 166,440 |

8. Net Capital Requirements

The Company is a member of the FINRA and is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital, as defined, equal to the greater of \$5,000 or 12.5% of aggregate indebtedness, as defined. At December 31, 2007 the Company had net capital of \$2,604,960 which was \$2,349,774 in excess of the amount required of \$255,186. The ratio of aggregate indebtedness to net capital was 0.78 to 1.

9. Exemption from SEC Rule 15c3-3

The Company has claimed exemption from SEC Rule 15c3-3 under paragraph (k)(2)(ii) of that Rule.

10. Subsequent Events

At January 31, 2008, the Parent has waived reimbursement for \$523,630 of expenses paid on behalf of the Company. These have been recognized as equity contributions by the Parent to the Company in the corresponding period.

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**Report of Independent Auditors on Internal Control Required
By SEC Rule 17a-5(g)(1)**

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York, NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

To the Partners of
BIDS Trading L.P.:

In planning and performing our audit of the financial statements of BIDS Trading L.P. (the "Company") as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in making the following:

1. The periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); and
2. Determining compliance with the exemptive provisions of Rule 15c3-3.

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; and
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

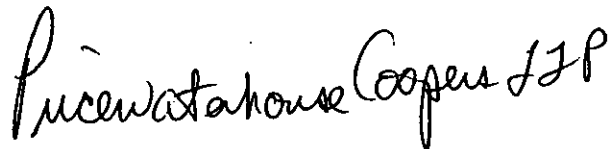
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first, second, and third paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Partners, Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



February 26, 2008

END